Request for City Council Committee Action from the Department of Community Planning & Economic Development

Date: November 17, 2009

To: Council Member Lisa Goodman, Community Development Committee **Referral to:** Council Member Paul Ostrow, Ways & Means Budget/Committee

Subject: 2009 Property Management Costs for Properties in CPED's Inventory

Recommendation:

- 1) Approve additional expenditures in 2009 from existing fund balances in the total amount of \$816,172 to pay eligible property management expenses related to properties held by the City in CPED's inventory.
- 2) Amend the 2009 General Appropriation Resolution by increasing the appropriation in the following Community Planning and Economic Development agency Funds in the respective amount indicated, all from the available fund balance:

-	Fund 01400 (CDBG – Program Income):	\$289,000
-	Fund 01CAZ (Common Project Uncertified):	\$144,225
-	Fund 01CPO (Capital Projects – Other):	\$ 5,154
-	Fund 01GEN (CPED General):	\$ 1,500
-	Fund 01CLC (Local Contribution):	\$ 23,586
-	Fund 01SHP (Housing Program):	\$ 3,142
	Fund01SPH (Community Development):	\$142,343
	Total:	\$608.950

Previous Directives: None

Department Information

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Approved by:	Jeffrey C. Streder, Director of Development Finance	
	Charles T. Lutz, Deputy Director—CPED	
	Thomas A. Streitz, Director of Housing—CPED	
	Catherine A. Polasky, Director of Economic Development—CPED	
Presenters in Committee: Elfric K. Porte, II.		
	Jeffrey C. Streder	

Financial Impact

Action requires an appropriation increase to the Operating Budget
Dept Name: Community Planning and Economic Development

Fund Name: Various Fund names as enumerated in the above recommendation.

Amount: \$608,950

Action is within the Business Plan

Community Impact

- Neighborhood Notification: Not Applicable
- City Goals: A SAFE PLACE TO CALL HOME—In five years all Minneapolis residents will have a better quality of life and access to housing and services; residents will live in a healthy environment and benefit from healthy lifestyles; the city's infrastructure will be well-maintained and people will feel safe in the city.

ONE Minneapolis—In five years the gap will be closing for access to housing, health care, education and employment; diversity will be welcome, respected and valued; the city's middle class will be thriving; there will be living-wage jobs or entrepreneurial opportunities for everyone; all residents will have confidence in public safety services; and residents will have access to fair, open and transparent decision-making.

- Sustainability Targets: Not Applicable
- Comprehensive Plan: Not Applicable

Supporting Information

During the strategic planning process in the spring of 2006, the Mayor and the City Council identified six overarching goals. These five-year goals, along with thirty-one strategic directions, make up the City's 2020 vision, which will serve as the City's roadmap through 2011. Two of these goals are *One Minneapolis* and *A Safe Place to Call Home*. To accomplish these goals, one of the approaches employed by the City of Minneapolis through its Department of Community Planning & Economic Development (CPED) is the acquisition of opportunity sites and removal of blighted properties to make way for housing and economic development opportunities.

Over the years, CPED has acquired properties to foster the development of the City of Minneapolis. Today, there are over 370 properties in CPED's inventory requiring continued management until they are sold for development. This on-going management entails: snow removal, mowing, utility costs, building maintenance, security on properties that contain structures and addressing illegal activities—graffiti, unauthorized dumping and vandalism.

In addition, the three development sections within CPED—Business Development, Multifamily Housing and Single-Family Housing continue to acquire strategic properties. With the exception of Single-Family Housing's acquisition activities, all are anticipated to be minimal. Although it is anticipated that Single-Family Housing's inventory will increase, the primary source for the current acquisition of properties is Neighborhood Stabilization Program funds which come with on-going property management resources for a period of four years.

Given the transfer of the Property Management function from CPED to Public Works in 2005, coupled with the switch in the city's accounting system and an increase in property acquisitions due to foreclosures, all the expenses for the property management services were not adequately budgeted in 2009 (see attached). Working together, CPED, Finance and Public Works have estimated a property management gap for 2009 to be approximately \$816,171. Of this amount, \$207,221 will be absorbed by previously appropriated CPED's CDBG allocation, leaving a gap of \$608,950.

In addition to the 2009 gap, the recommended 2010 CPED budget does not adequately account for on-going property management costs. This will be corrected through a technical amendment to the 2010 budget. CPED staff is working with Public Works to

explore cost saving measures to reduce the overall property management costs. Some measures to reduce CPED's holding costs are being implemented by Public Works now, but it is too early to evaluate the overall effectiveness of these measures.

Finally, CPED and Development Finance have identified a process to avoid this issue going forward. This process will be implemented during the 2011 budget process.